



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

December 6, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**CANCELLATION OF PRIOR SALE AND RESOLUTION AND NOTICE OF
INTENTION TO AUCTION COUNTY SURPLUS
REAL PROPERTY – REDONDO AVENUE AND WILLOW STREET, LONG BEACH
(FOURTH DISTRICT) (4 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Cancel the prior auction sale conducted on September 27, 2005 and return the entire earnest money deposit to the prevailing bidder, Long Beach Signal Hill - 2.
2. Find that the proposed sale of this property is categorically exempt under Class 12 of the California Environmental Quality Act (CEQA) guidelines.
3. Make a finding that the County-owned real property, as shown on the attached map (Attachment 1) and legally described in Exhibit A to Attachment 2, is not required for present or future County or other public use.
4. Adopt Resolution and Notice of Intention to Sell (Attachment 2) setting the date for sale at public auction of 5.33 acres of surplus real property located at the northeast corner of Redondo Avenue and Willow Street, Long Beach at a minimum bid of \$5,500,000.
5. Instruct the Executive Officer, Board of Supervisors, to publish the Resolution and Notice of Intention to Sell in accordance with Government Code Section 25528 and to set a date for public auction.

IT IS RECOMMENDED THAT YOUR BOARD AFTER THE PUBLIC AUCTION:

1. Approve the sale, upon the terms and conditions set forth in the Resolution, of the County's right, title and interest to the successful bidder, and instruct the Chairman to execute the deed when all required conditions have been satisfied or met as determined by the Chief Administrative Officer (CAO).
2. Authorize the CAO to execute all other documents necessary to complete the sale transaction, and for the Auditor-Controller to deposit the net proceeds from the sale in the Asset Development Implementation Fund.

PURPOSE OF RECOMMENDED ACTION

Approval of the recommended actions in this Board Letter will authorize the re-offer at public auction of the County's right, title and interest in the subject property, for a minimum bid of \$5.5 million. The property is being sold subject to an existing ground lease with Long Beach/Signal Hill Business Center (LBSHBC), which expires in January 2052.

The subject property was previously offered on September 27, 2005 at which time Long Beach Signal Hill - 2 was the prevailing bidder. At that time, the County accepted their offer price of \$5,518,000. However, subsequent to the auction, it was revealed that actions occurring prior to the auction may have resulted in irregularities in the auction process. As a result, following consultation with County Counsel, the CAO recommends that the previous auction sale be cancelled and that the property be re-offered at public auction.

Sale of the property at public auction will allow the County to realize the value of its remaining interest on the property, which has been determined by our economic consultant, Allan D. Kotin and Associates, to be between \$5.2 million and \$6.2 million, with the higher amount contingent on the construction of a second building by 2015. A formal appraisal was completed by R.P. Laurain & Associates on August 15, 2003. Although Laurain estimated the market value of the County's leased fee interest to be \$2,630,000, the long term nature of both the lease and the regions economic outlook serve to increase the value to the County.

Because the lease has been difficult to manage and expensive to implement, in part because the County and LBSHBC have different interpretations of the ground lease, coupled with the poor Long Beach office rental market, we have concluded that sale of the property for the proposed \$5.5 million is the best course of action. An independent economic analysis by our consultant has also concluded that the sale of the property would be economically beneficial.

JUSTIFICATION

On April 30, 1985, your Board approved the negotiation and implementation of a Master Ground Lease (Lease) between the County and the predecessor in interest of the current Lessee, LBSHBC, a California limited partnership, to redevelop the former Long Beach Hospital site. The Lease was for 66-year term and envisioned a multi-phased development of three parcels.

Parcel 1 was successfully developed, Parcel 3 was sold to LBSHBC for \$4.1 million in 1998, while Parcel 2, the subject property, was partially developed by LBSHBC with a six-story, 150,000 square foot office tower now primarily occupied by the Harriman Jones Medical Group. The current annual ground rent by LBSHBC to the County is \$211,900 or \$0.86 per square foot of land. The developer has indicated that the existing poor condition of the office space market in the Long Beach area prohibits them from constructing a second building on the site, either by the date cited in the lease (construction was to commence July 2005) or even within the foreseeable future. For this reason, the County's income from this lease most likely will not exceed the minimum annual rent of \$211,900 for the foreseeable future.

The original development expectations for Parcel 2 are economically infeasible under present or foreseeable market conditions. Originally, it was anticipated that Parcel 2 would be developed with two office buildings totaling 250,000 square feet. As a result of market forces, those uses have not been realized. In 1988, the property was improved with a commercial office building of 150,000 square feet.

Implementation of Strategic Plan Goals

The proposed recommendations are consistent with the County Strategic Plan goals of service excellence and fiscal responsibility (Goals 1 and 4) by facilitating the sale of surplus real property, generating capital funds which could be used in capital projects and/or other investments in public infrastructure.

FISCAL IMPACT

In lieu of collecting annual rent over the remaining 46 years of the Lease estimated to be at least \$9.7 million and receiving clear ownership title to the subject property at the end of the Lease term, the County will realize a minimum of \$5.5 million immediately from the sale of the property. The property is being offered on the basis of an all cash sale. Funds will be deposited into the Asset Development Implementation Fund for further acquisition and/or development of County property.

Pursuant to the terms of the sale that occurred on September 27, 2005, the County collected a \$25,000 deposit from the prevailing bidder. Due to the fact that the County is initiating the cancellation of the prior auction for reasons other than Buyer's default, it is recommended that the entire deposit be refunded to Buyer.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached map shows the location of this property at the southeast corner of Redondo Avenue and Willow Street which is the former site of the Long Beach Hospital. The land consists of 5.33 acres, (per the Assessor), and is improved with a 150,000 square feet office building.

The property will be sold subject to the existing Lease, which has a remaining term of approximately 46 years. Copies of the lease document will be available for review in advance of the auction date.

All documents have been reviewed and approved as to form by County Counsel.

In part because it is encumbered by the ground lease with 46 years remaining, the subject parcel has been determined to be surplus to any immediate and future needs of the County. Both the City of Long Beach and the Long Beach Unified School District were notified of this sale, and neither indicated a need for the property. Notice of the proposed sale was provided to the City of Long Beach pursuant to Section 65402 of the Government Code and no adverse response was received. This recommendation is in compliance with Sections 25520 to 25538, inclusive, of the California Government Code. Resolution and Notice of Intention to Sell is to be published in accordance with Section 25528 of the Government Code.

IMPACT ON CURRENT SERVICES

Not applicable.

Then Honorable Board of Supervisors
December 6, 2005
Page 5

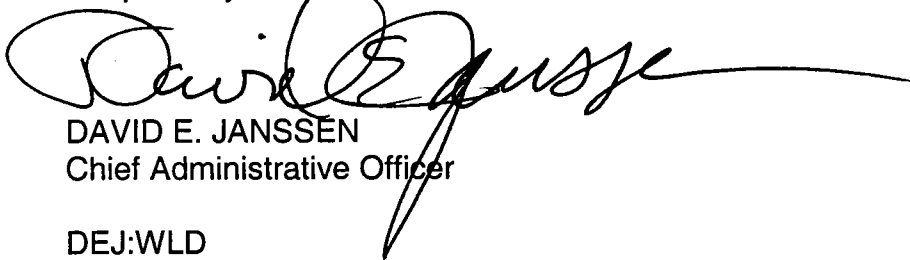
ENVIRONMENTAL DOCUMENTATION

The sale of surplus property is a Class 12 categorical exemption from CEQA as specified in section 15312 of the State CEQA Guidelines. This exemption is in accordance with the revised Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987.

CONCLUSION

The Executive Officer, Board of Supervisors is requested to return to the Chief Administrative Office, Real Estate Division, 222 South Hill Street, 3rd Floor, Los Angeles, CA 90012 one copy of this stamped, adopted Board letter, and two certified copies of the minute order and the executed original Resolution and Notice of Intention to Sell. The original quitclaim deed, when prepared, will be submitted to the Chair for execution.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a long horizontal flourish extending to the right.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:WLD
CB:CK:cc

Attachments (2)

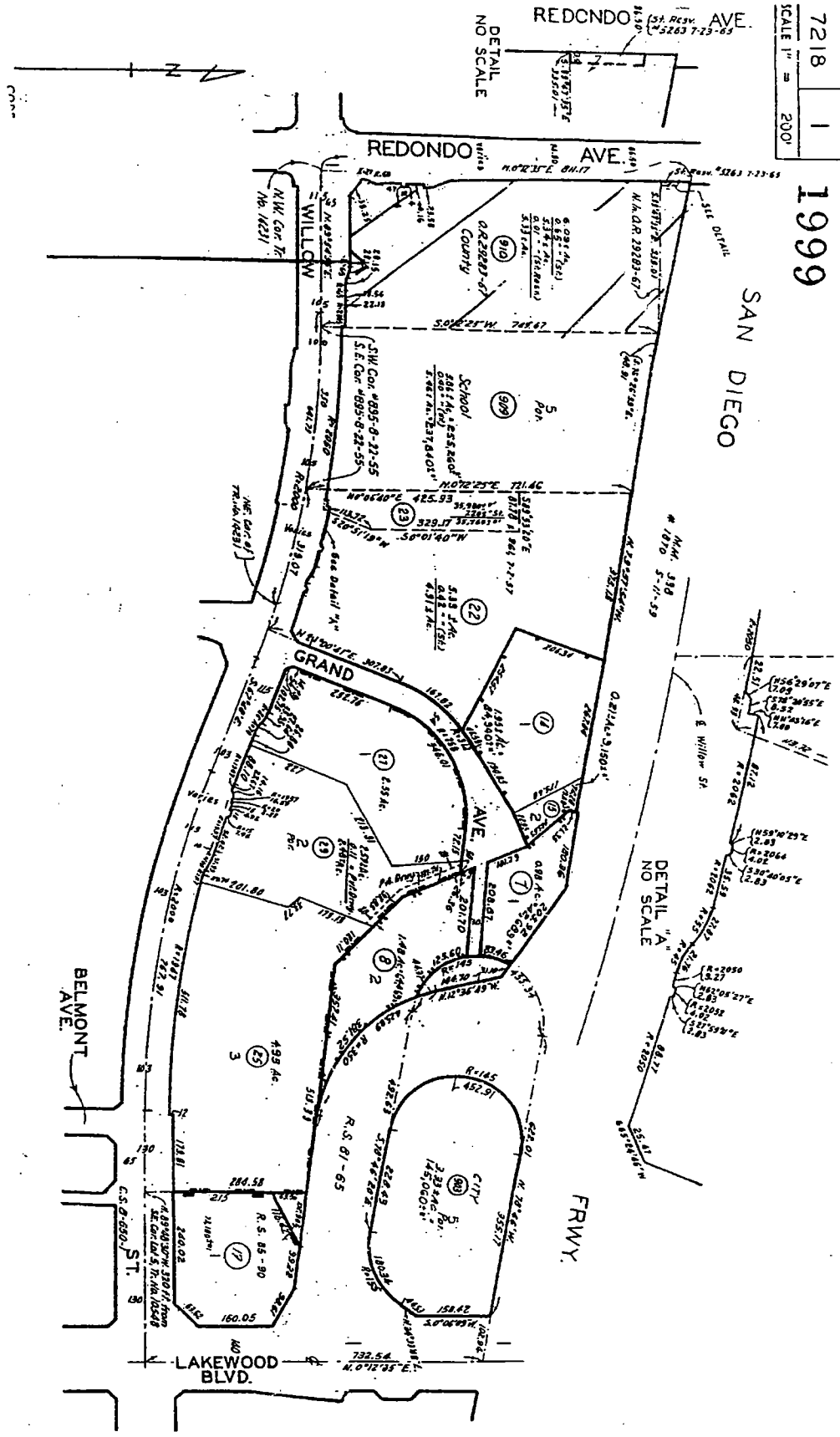
c: Executive Officer, Board of Supervisors
Auditor-Controller
County Counsel

LongBeachRevisedAuction.b

Attachment 1
Map

7218 1
SCALE 1" = 200'

1999



Site

Long Beach/Signal Hill Business Center

Attachment 2
Resolution and Notice of Intention to Sell

**RESOLUTION AND NOTICE OF INTENTION TO SELL
COUNTY SURPLUS REAL PROPERTY
AT PUBLIC AUCTION**

**NORTHEAST CORNER OF WILLOW STREET AND REDONDO
AVENUE, LONG BEACH**

WHEREAS, the Board of Supervisors of the County of Los Angeles, State of California ("Board of Supervisors"), has found and determined that the County-owned real property hereinafter described is not required for public use;

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors, as follows:

1. That it is the intention of the Board of Supervisors, on the _____ day of _____, 2006 at 9:30 A.M., in the Hearing Room of the Board of Supervisors, Room 381 Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, CA 90012, to sell at public auction, that County-owned surplus real property located at the northeast corner of the intersection of Redondo Avenue and Willow Street, City of Long Beach, County of Los Angeles, and legally described in Exhibit A attached hereto and incorporated herein by reference and made a part hereof as though set forth in full ("Property").

2. The Property consists of approximately 5.33 acres of land area which is encumbered by a long term ground lease (expires January 2052). In accordance with the terms of the ground lease, the property has been improved by the ground lessee with a six-story, 150,000 square foot building.

3. The minimum bid that will be considered by the Board of Supervisors for the Property is Five Million Five Hundred Thousand and NO/100 Dollars (\$5,500,000). Any bids less than that amount will not be considered by the Board of Supervisors. The

Board of Supervisors reserves the right to reject any and all bids and to withdraw the Property from sale at any time.

4. The sale will be for all **CASH** with TWENTY FIVE THOUSAND DOLLARS (\$25,000) due at the time of the auction and the balance remaining to be paid in full within ninety (90) days of the date of the auction under the following terms and conditions:

SUBJECT TO AND BUYER TO ASSUME:

- a. All taxes, interest, penalties and assessments of record, if any.
- b. Covenants, conditions, restrictions, reservations, easements, rights and rights-of-way of record, if any.
- c. The obligations of Landlord as provided in the ground lease referenced in subparagraph 6e below.

5. Sealed bids must be filed in the Executive Office, Board of Supervisors, Room 383 Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, California 90012 prior to 9:30 A.M. on the day of the auction as set forth in Paragraph 1 above. All sealed bids must be accompanied by a cashier's check in the amount of twenty five thousand dollars (\$25,000), which shall serve as the deposit required by paragraph 4, and shall be returned to the bidder should the bid be rejected.

6. At the time of the auction, sealed bids will be opened and oral bids will be heard provided that the first oral bid exceeds by at least five percent (5%) the amount of the highest sealed bid. Should two or more sealed bids be identical as to the highest bid amount, priority shall be given to the bid received first in accordance with Paragraph 5 above. Prior to the hearing of oral bids, all oral bidders must register with the Chief Administrative Office staff and provide staff with a cashier's check in the amount of twenty five thousand dollars (\$25,000) as required by Paragraph 4. Oral bidders that

have submitted a sealed bid and complied with Paragraph 5, need not provide a further deposit. When orally bidding on the Property, a bidder will be required to identify himself and state clearly the amount of the bid. It is the intention of this paragraph that the following bid requirements and/or conditions shall apply to sealed bids and oral bids alike:

a. At the close of the auction, all deposits presented by unsuccessful bidders shall be returned, except as provided for in subsection 6h, below. The deposit of the successful bidder shall be retained by the County.

b. The successful bidder ("Purchaser") will be required at the close of the auction to execute a Sale and Purchase Agreement. The Sale and Purchase Agreement must be executed without modification.

c. Purchaser must also sign any and all documents and pay whatever fees are required following the auction. Said fees shall include the deed recording fees and Documentary Transfer Tax. County shall obtain the recordation of the deed and transmit Purchaser's check for said fee to the County Recorder on behalf of Purchaser.

d. Purchaser must furnish title vesting in writing to the County at the time of the auction. If more than one signature is required on any document, a period of five (5) days will be allowed for Purchaser to obtain the signature(s).

e. No warranty or representation is made by the County with respect to location and size of the Property, or the status of the ground lease pertaining to the Property. Such data is set forth for information only and shall not be deemed to be part of the legal description by which the Property will be offered for sale or sold. The sale of the Property will be subject to the ground lease dated July 1, 2000, which shall be attached to the Sale and Purchase Agreement, with Purchaser assuming all obligations of County of Los Angeles as Landlord upon the transfer of the Property. The Property

will be sold by quitclaim deed using the legal description contained in Exhibit A. County will not provide a policy of title insurance.

f. The Property is offered for sale and will be sold in its "as is" condition, without any warranty, express or implied or representation by County as to its physical condition or suitability for use, including but not limited to, the condition of the soils or ground water on or under the Property, and the presence of pollutants or contaminants therein.

g. Sale of the Property shall reserve and except therefrom unto the County of Los Angeles, all oil, gas, hydrocarbons, or other minerals in and under the Property without the right to the use of the surface and subsurface to a depth of 500 feet, measured vertically, from the surface of the Property.

h. If the County determines that there has been any agreement or understanding between bidders for the purpose of affecting the outcome of the auction, County may reject all bids, cancel the auction or cancel the sale, and retain any and all deposits of any bidder participating in such activities, regardless of whether or not they are the successful bidder. Such retention of the deposit by County shall not be deemed a waiver or relinquishment of any other remedies.

i. If Purchaser fails to abide by the terms and conditions as set forth above, the County shall have all remedies at law and equity, and shall be entitled to enforce the Sale and Purchase Agreement and obtain the benefit of the bargain contained therein. At the option of the County, the sale may be rescinded. All or part of the Twenty Five Thousand Dollars (\$25,000.00) deposit may be retained by the County to offset the costs and expenses which accrue to the County in conducting a public auction should Purchaser fail to purchase the Property. Such retention of the deposit by County shall not be deemed a waiver or relinquishment of any other remedies.

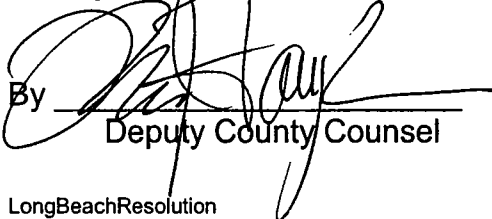
7. Copies of the ground lease dated July 1, 2000, title report and map showing the location and size of the Property are available for inspection in the office of Real Estate Division, 222 South Hill Street, 3rd Floor, Los Angeles, California 90012.

The foregoing Resolution was on the _____ day of _____, 2005 adopted by the Board of Supervisors of the County of Los Angeles, and ex-officio the governing body of all other special assessment and taxing districts for which said Board so acts.

VIOLET VARONA-LUKENS
Executive Officer, Board of Supervisors

By _____

APPROVED AS TO FORM:
RAYMOND G. FORTNER, JR.
County Counsel

By  _____
Deputy County Counsel

LongBeachResolution

LONG BEACH HOSPITAL (1)
PARCELS 1, 7, 8 & 9
(FILE: LONG BEACH HOSPITAL (1))
PAGE 6

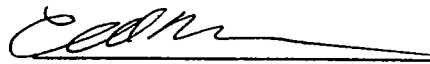
Exhibit A

DESCRIPTION:

That portion of Lot 5, Tract No. 10548, in the City of Long Beach, County of Los Angeles, State of California, as shown on map filed in Book 174, pages 15 to 23, inclusive, of Maps, in the office of the Registrar-Recorder / County Clerk of said County, within the following described boundaries:

Beginning at the intersection of the northerly line of that certain parcel of land described as Parcel 3 in deed to Superior Development Co., recorded as Document No. 718, on September 21, 1946, in Book 23757, page 167, of Official Records, in the office of said Registrar-Recorder / County Clerk, with the westerly line of said lot; thence North 0° 12' 25" East along said westerly line 751.05 feet; thence South 89° 47' 35" East to the easterly line of the westerly 10 feet of said lot; thence North 0° 06' 01" East along said easterly line to the northerly line of that certain parcel of land described in deed to the County of Los Angeles, recorded as Document No. 4155, on November 17, 1965, in Book D3118, page 500, of said Official Records; thence easterly along said last mentioned northerly line to the northeasterly corner of that certain parcel of land described in deed to County of Los Angeles, recorded as Document No. 1344, on January 31, 1949, in Book 29283, page 67, of said Official Records; thence southerly and westerly along the easterly and southerly lines of said last mentioned certain parcel of land to the point of beginning.

EXCEPT all oil, gas, and other hydrocarbons in and under or which may be produced or saved from said land, but without the right to use the surface of said land, or to a depth of 100 feet below the surface thereof, as reserved in the deed from Bixby Land Company, a corporation, recorded August 25, 1948, in Book 28072, page 204, Official Records.



CLARK MILLER, Title Examiner II

Approved:



GEORGE SAGATA, Supervising Title Examiner II